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Message Text

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ACTION IO-14

INFO OCT-01 ISO-00 AF-10 ARA-16 EA-11 EUR-25 NEA-10 RSC-01

OIC-04 OMB-01 TRSE-00 ABF-01 SS-20 NSC-07 SP-03 L-03

H-03 PA-04 PRS-01 USIA-15 CIAE-00 INR-10 NSAE-00

DRC-01 EB-11 XMB-07 FRB-02 /181 W
---------- 053763
R 242244Z APR 74
FM USMISSION USUN NY
TO SECSTATE WASHDC 3757
INFO USMISSION GENEVA

UNCLAS USUN 1485

E.O. 11652: NA
TAGS: EFIN, AORG, UN
SUBJ: UN FINANCES--WORKING GROUP ON CURRENCY INSTABILITY

REF: USUN 1461

SUMMARY: WG COMPLETED CONSIDERATION OF FORWARD MARKET OPERATIONS AND DEBATED WITHOUT DEFINITE RESULTS UNIT OF ACCOUNT. FOR NEXT TWO DAYS WG WILL ATTEMPT TO ARRIVE AT CONSENSUS OF POINTS OF AGREEMENT AND TO GIVE GUIDANCE TO SECRETARIAT IN PREPARING FIRST DRAFT OF WG REPORT. END SUMMARY

1. WG RESUMED DISCUSSION OF FORWARD MARKET OPERATIONS WITH STATEMENT BY KELLER (US) EMPHASIZING THAT SUCH OPERATIONS SHOULD ONLY BE LIMITED TOOL AND BLENDED WITH NORMAL SPOT OPERATIONS. HE OUTLINED HYPOTHETICAL METHOD OF OPERATIONS AND STRESSED THAT SOME US OF FORWARD MARKET WOULD SPREAD EXCHANGE RISKS OVER TIME AND ENSURE GREATER ACCURACY IN BUDGETING. FRENCH DEL (DERRE) AND CUBAN DEL (SERRANO) RAISED MILD OBJECTIONS TO FORWARD MARKET OPERATIONS ON BASIS OF ARGUMENTS FORMULATED BY ZIEHL OF SECRETARIAT BUT BOTH THOUGHT THAT SMALL AMOUNTS MIGHT USEFULLY BE PURCHASED IN THIS FASHION. INDIAN REP (CHERPOOT) CONSIDERED THIS QTE INTERESTING UNQTE
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SUGGESTION AND POINTED OUT THAT NO SYSTEM GIVES COMPLETE

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ASSURANCE.

2. ZIEHL COMPLAINED THAT IF SECRETARIAT SUFFERED ANY LOSSES IN THESE OPERATIONS, IT WOULD BE SUBJECTED TO CRITICISM. HE CLAIMED THAT BANKS WOULD DERIVE PROFIT FROM PROCESS AND STATED THAT IF US WAS TO ENGAGE IN THIS PRACTICE HE FELT NEED TO HIRE EXPERIENCED QTE TRADER UNQTE. ACTING CHAIRMAN SCHMIDT SUMMARIZED DISCUSSION BY SAYING THAT FORWARD MARKET OPERATIONS SHOULD NOT BE EXCLUDED WHENEVER IT POSSIBLE AND DESIRABLE TO APPLY. RISKS INVOLVED LIMIT APPLICATION OF THIS TOOL HOWEVER.

3. WG THEN TURNED TO FURTHER CONSIDERATION OF UNIT OF ACCOUNT USING PAPER SUBMITTED BY FRG (A/AC.164/R.16). DEBATE WAS CONFUSED AND FORMLESS FOLLOWING SCHMIDT PRESENTATION. CUBAN AND FRENCH DELS POINTED OUT WEAKNESSES IN PRESENTATION AND NOTED THAT PAPER ASSUMED THAT 62 PERCENT WOULD BE PAID IN MISCELLANEOUS CURRENCIES NOT DOLLARS WHICH COULD NOT BE VALID ASSUMPTION. KELLER NOTED THAT PAPER ASSUMED FIXED RATE OF EXCHANGE, WHICH WAS SET AT BEGINNING OF YEAR, WOULD HAVE TO BE APPLIED THROUGHOUT YEAR. HE ASKED IF EACH STATE WOULD BE HELD TO LOCAL CURRENCY PAYMENT AT THAT RATE. IN SUBSEQUENT DISCUSSION HE NOTED PRACTICAL PROBLEMS OF APPLYING UN UNIT OF ACCOUNT.

4. SCHMIDT SUMMARIZED HIS VIEWS BY STATING THAT UNIT OF ACCOUNT SYSTEM WOULD BE COMPLICATED AND HE CONSIDERED THAT HIS PAPER SHOWED THAT IT NOT ADVISABLE AT THIS TIME IN UN. IN CONCLUDING DISCUSSION, ZIEHL SAID THAT WG HAD TO DECIDE ON OBJECTIVES TO BE OBTAINED FROM UNIT OF ACCOUNT. PROBLEM WOULD BE SHIFTED TO GOVERNMENTS OF MEMBER STATES AND HE ASKED IF BENEFITS DERIVED FROM SYSTEM WOULD BE WORTH ITS APPLICATION.
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Message Attributes

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Capture Date: 01 JAN 1994
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Control Number: n/a
Copy: SINGLE
Draft Date: 24 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974USUNN01485
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740097-0539
From: USUN NEW YORK
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ISecure: 1
Legacy Key: link1974/newtext/t19740416/aaaaanzv.tel
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